

**SUSSEX COUNTY EDUCATIONAL  
SERVICES COMMISSION  
COUNTY OF SUSSEX, NEW JERSEY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
of the**

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION**

**Sparta, New Jersey**

**For the Fiscal Year Ended June 30, 2012**

Prepared by

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION**  
Finance Office

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

INTRODUCTORY SECTION	<u>Page</u>
Letter of Transmittal .....	1 - 4
Organizational Chart .....	5
Roster of Officials .....	6
Consultants and Advisors .....	7
 FINANCIAL SECTION	
Independent Auditor's Report .....	8 - 9
 <u>Required Supplementary Information - Part I</u>	
Management's Discussion and Analysis .....	10 - 18
 Basic Financial Statements	
A. District-wide Financial Statements:	
A-1 Statement of Net Assets .....	19
A-2 Statement of Activities .....	20
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet .....	21
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balance .....	22
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	23
Proprietary Funds:	
B-4 Statement of Net Assets .....	N/A
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Assets .....	N/A
B-6 Statement of Cash Flows .....	N/A
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Assets .....	24
B-8 Statement of Changes in Fiduciary Net Assets .....	N/A

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS (Continued)

FINANCIAL SECTION (Continued)	<u>Page</u>
Notes to the Basic Financial Statements .....	25 - 43
 <u>Required Supplementary Information - Part II</u>	
C. Budgetary Comparison Schedule	
C-1 Budgetary Comparison Schedule - General Fund .....	44 - 46
C-2 Budgetary Comparison Schedule - Special Revenue Fund .....	47
C-3 Budgetary Comparison Schedule - Budget-to-GAAP Reconciliation .....	48
 <u>Other Supplementary Information</u>	
D. School Level Schedules (if applicable):	
D-1 Combining Balance Sheet .....	N/A
D-2 Blended Resource Fund - Schedule of Expenditures Allocated by Resource Type - Actual .....	N/A
D-3 Blended Resource Fund - Schedule of Blended Expenditures - Budget and Actual .....	N/A
E. Special Revenue Fund:	
E-1 Combining Schedule of Program Revenues and Expenditures Special Revenue Fund - Budgetary Basis .....	49
E-1a Combining Schedule of Program Revenues and Expenditures Special Revenue Fund - Budgetary Basis .....	N/A
E-1b Combining Schedule of Program Revenues and Expenditures Special Revenue Fund - Budgetary Basis .....	N/A
E-1c Combining Schedule of Program Revenues and Expenditures Special Revenue Fund - Budgetary Basis .....	N/A
E-2 Demonstrably Effective Program Aid Schedule of Expenditures - Budgetary Basis .....	N/A
E-3 Early Childhood Program Aid Schedule of Expenditures - Budgetary Basis .....	N/A
E-4 Distance Learning Network Aid Schedule of Expenditures - Budgetary Basis .....	N/A
E-5 Instructional Supplemental Aid - Schedule of Expenditures - Budgetary Basis .....	N/A
F. Capital Projects Fund:	
F-1 Summary Schedule of Revenues, Expenditures and Changes .....	N/A
F-2 Summary Schedule of Projected Expenditures .....	N/A

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS (Continued)

FINANCIAL SECTION (Continued)	<u>Page</u>
G. Proprietary Funds:	
Enterprise Fund:	
G-1 Statement of Net Assets .....	N/A
G-2 Statement of Revenues, Expenses and Changes in Fund Net Assets .....	N/A
G-3 Statement of Cash Flows .....	N/A
Internal Service Fund:	
G-4 Statement of Net Assets .....	N/A
G-5 Statement of Revenues, Expenses and Changes in Fund Net Assets .....	N/A
G-6 Statement of Cash Flows .....	N/A
H. Fiduciary Funds:	
H-1 Combining Statement of Fiduciary Net Assets .....	50
H-2 Combining Statement of Changes in Fiduciary Net Assets .....	N/A
H-3 Schedule of Receipts and Disbursements - Student Activity Agency Fund .....	51
H-4 Schedule of Receipts and Disbursements - Payroll Agency Fund .....	52
I. Long-Term Debt:	
I-1 Schedule of Serial Bonds .....	N/A
I-2 Schedule of Obligations under Capital Leases .....	53
I-3 Budgetary Comparison Schedule - Debt Service Fund .....	N/A
STATISTICAL SECTION (Unaudited)	
Introduction to the Statistical Section	
Financial Trends	
J-1 Net Assets by Component .....	54
J-2 Changes in Net Assets .....	55
J-3 Fund Balances - Governmental Funds .....	56
J-4 Changes in Fund Balances - Governmental Funds .....	57
J-5 General Fund Other Local Revenue by Source .....	58
Revenue Capacity	
J-6 Assessed Value and Estimated Actual Value of Taxable Property .....	N/A
J-7 Direct and Overlapping Property Tax Rates .....	N/A
J-8 Principal Property Taxpayers .....	N/A
J-9 Property Tax Levies and Collections .....	N/A

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS (Continued)

STATISTICAL SECTION (Unaudited) (CONTINUED)		<u>Page</u>
Debt Capacity		
J-10	Ratios of Outstanding Debt by Type .....	N/A
J-11	Ratios of General Bonded Debt Outstanding .....	N/A
J-12	Direct and Overlapping Governmental Activities Debt .....	N/A
J-13	Legal Debt Margin Information .....	N/A
Demographic and Economic Information		
J-14	Demographic and Economic Statistics .....	N/A
J-15	Principal Employers .....	N/A
Operating Information		
J-16	Full-time Equivalent District Employees by Function/Program .....	59
J-17	Operating Statistics .....	60
J-18	School Building Information .....	61
J-19	Schedule of Allowable Maintenance Expenditures by School .....	62
J-20	Insurance Schedule .....	63
SINGLE AUDIT		
K-1	Report on Internal Control Over Financial and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards .....	64 - 65
K-2	Report on Compliance With Requirements That Could have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A -133 and N.J. OMB Circular 04-04 .....	N/A
K-3	Schedule of Expenditures of Federal Awards .....	66
K-4	Schedule of Expenditures of State Financial Assistance .....	67
K-5	Notes to Schedules of Expenditures of Federal and State Awards .....	68 - 69
K-6	Schedule of Findings and Questioned Costs .....	70 - 71
K-7	Summary Schedule of Prior Year Audit Findings .....	72

## **INTRODUCTORY SECTION**

# **Sussex County Educational Services Commission**

**10 Gail Court**

**Sparta, New Jersey 07871**

**Phone: 973-579-6980; Fax: 973-579-1086**

**Terry Foppert**  
**Superintendent/Principal**

**John C. Pavlik, MAS**  
**Business Administrator**

Honorable President and  
Members of the Board of Directors  
Sussex County Educational Services Commission  
Sparta, New Jersey

November 20, 2012

Dear Board Members:

The Comprehensive Annual Financial Report (CAFR) of the Sussex County Educational Services Commission (the "Commission") for the fiscal year ended June 30, 2012, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Commission. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the Commission. All disclosures necessary to enable the reader to gain an understanding of the Commission's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: Introductory, Financial, Statistical and Single Audit. The Introductory section includes this transmittal letter, the Commission's organizational chart and a list of principal officials. The Financial section includes the Independent Auditor's Report, Management's Discussion and Analysis, the basic financial statements and notes providing an overview of the Commission's financial position and operating results, and supplementary schedules providing detailed budgetary information. The Statistical section includes selected economic and demographic information, financial trends and fiscal capacity of the Commission, generally presented on a multi-year basis. The Commission is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this Single Audit, including the auditor's report on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

## **1. REPORTING ENTITY AND ITS SERVICES:**

The Sussex County Educational Services Commission is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the Commission are included in this report. The Sussex County Educational Services Commission and its school, Northern Hills Academy, constitute the Commission's reporting entity.



The Commission provides a full range of educational services for public school districts and non-public school programs in Sussex and Warren Counties. Services are provided to regular education, as well as special education students. The Commission completed the 2011-2012 fiscal year having provided services to 37 students enrolled in the Northern Hills Academy. Services for basic skills, communication, computation, supplemental instruction, speech therapy and CST evaluations were provided to over 275 eligible nonpublic students through Chapter 192/193 State funding. Additionally, approximately 50 students were serviced through I.D.E.I.A. funds. Lastly, nursing services for all students attending 6 non-public schools were provided through Chapter 226.

Various Itinerant Programs and services were provided to local Boards of Education. Learning consultants, educational psychologists, social workers, speech therapists, home instructors and case managers worked closely with the local Boards of Education to enhance student instruction.

## **2. ECONOMIC CONDITION AND OUTLOOK:**

We expanded our cost effective services to public school districts yielding a strong increase in revenue. Our CST success story at Andover Regional serves as the model program on how we can provide long term student services both effectively and efficiently. We hope to increase programs to public schools further this year through greater outreach to the community. Our redesigned website and improved visibility has led to an increase in requests for our services

Our enrollment at Northern Hills Academy is currently at 37 students, our maximum. The word is out to the districts that Northern Hills Academy utilizes instructional programs that maximize student learning at a cost effective tuition rate. As a result, tuition revenue increased by almost 31% this year over that of 2010-2011.

## **3. MAJOR INITIATIVES:**

Considering that Northern Hills is at full capacity, the major challenge this year will be to determine how to expand the NHA program either independently or in collaboration with other districts. In addition, the demand for programs and services offered by the Commission, continues to expand and we hope to increase revenue by generating additional member districts as we fulfill the local educational needs.

Changing our school name to Northern Hills Academy two years ago helped to create a new identity that led districts to take a closer look at our programs. The major modification to the website has given improved access to information about our programs and services and has generated greater public interest.

Professional development activities for staff members focused on using the Smart Board and iPad technology to enrich student instruction in the classroom. In addition, a major focus on Applied Behavior Analysis has given the staff new skill and knowledge that has positively impacted student performance. Providing access to our Professional Development Workshops also helped to disseminate information and introduce the educational community to our mission.

Moving forward, we plan to consider increasing services by opening an alternative High School and/or providing a Credit Recovery Program that would assist "at risk" students with achieving a

high school diploma.

**4. INTERNAL ACCOUNTING CONTROLS:**

Management of the Commission is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the Commission are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal awards and state financial assistance, the Commission also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system will be evaluated on a periodic basis by the Commission's administration.

As part of the Commission's single audit described earlier, tests are made to determine the adequacy of the internal control system, including that portion related to major federal awards and state financial assistance programs, as well as to determine that the Commission has complied with applicable laws and regulations.

**5. BUDGETARY CONTROLS:**

In addition to internal accounting controls, the Commission maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Annual appropriated budgets are adopted for the general fund and special revenue fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2012.

**6. ACCOUNTING SYSTEM AND REPORTS:**

The Commission's accounting records reflect Generally Accepted Accounting Principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the Commission is organized on the basis of governmental funds and business type activities fund. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

7. **CASH MANAGEMENT:**

The investment policy of the Commission is guided in large part by state statute as detailed in 'Notes to the Basic Financial Statements', Note 3. The Commission has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

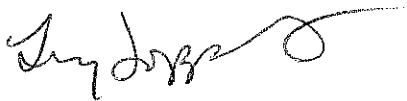
8. **OTHER INFORMATION:**

**Independent Audit:** State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Ferraioli, Wielkottz, Cerullo & Cuva, a professional association of Certified Public Accountants, was selected by the Commission. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments 1996 and the related Federal OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditor's report on the basic financial statements and supplementary information is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

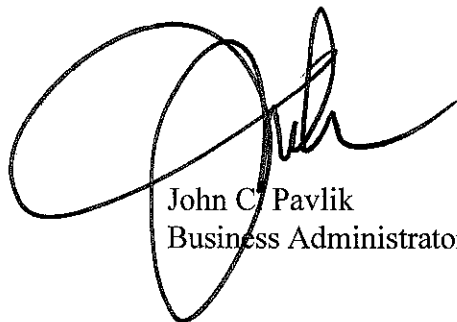
9. **ACKNOWLEDGMENTS:**

We would like to express our appreciation to the members of the Sussex County Educational Services Commission for their concern in providing fiscal accountability to the citizens and taxpayers of the member school districts and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our auditors and administrative staff.

Respectfully submitted,

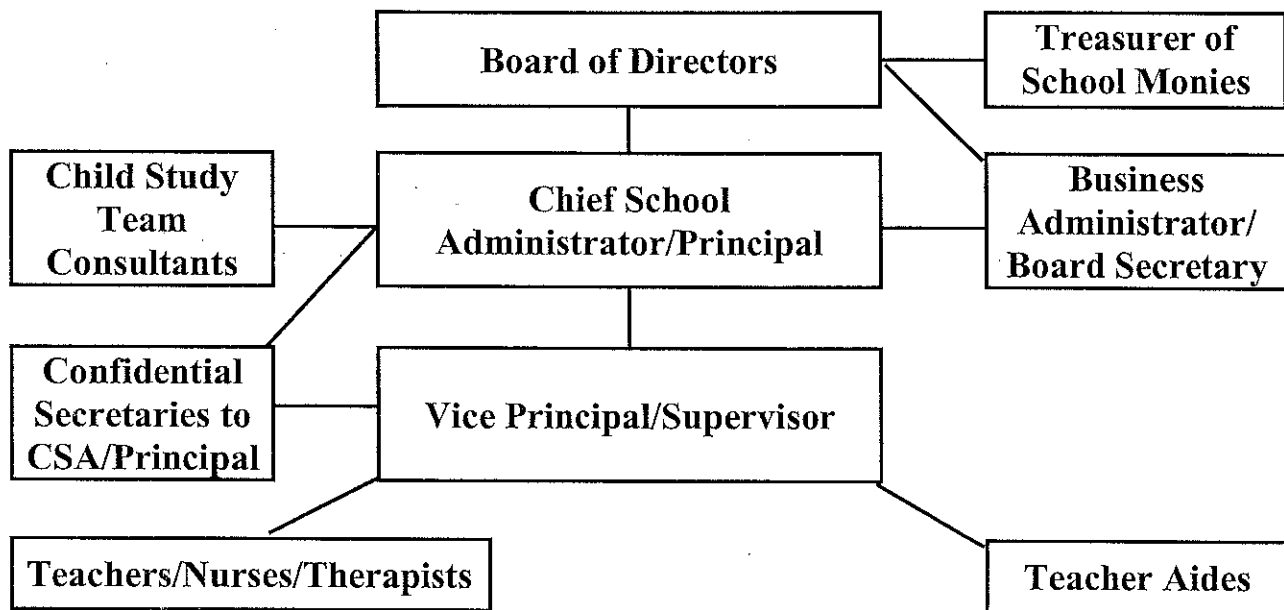


Terry Foppert  
Superintendent/Principal



John C. Pavlik  
Business Administrator/Board Secretary

**SUSSEX COUNTY  
EDUCATIONAL SERVICES COMMISSION  
ORGANIZATION CHART**



**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION  
SPARTA, NEW JERSEY**

**ROSTER OF OFFICIALS  
June 30, 2012**

<b><u>Members of the Board of Education</u></b>	<b><u>District</u></b>
Edward Conrads, Board President	Andover
Gil Muscatello, Board Vice-President	Stanhope
Jackie Cinotti	Byram
Jeanine Paszkiel	Franklin
Dan Hauge	Fredon
Charlotte Ambrose	Hamburg
Joyce Anderson	Hampton
Dorothy Beltramine	Hardyston
Pam Flynn	High Point Regional
Margaret Bongiorno	Hopatcong
Bob Greene	Kittatinny
Karen Mitchell	Lafayette
Tina Larsen	Newton
Paul Worthington	Ogdensburg
Vacant	Sussex-Wantage

**Other Officials**

Carol LaStarza	Acting Superintendent 6/1/11 to 8/8/11
Terry Foppert	Superintendent from 8/8/11
John C. Pavlik	Business Administrator/Board Secretary
Eileen Kithcart	Treasurer

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION**  
**Consultants and Advisors**  
**June 30, 2012**

**Audit Firm**

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.  
100B Main Street  
Newton, NJ 07860

**Attorney**

Robin McMahon  
Cleary, Giacobbe, Alfieri, Jacobs, LLC  
169 Ramapo Valley Road  
Upper Level 105  
Oakland, NJ 07436

**Official Depositories**

Lakeland Bank  
37 Route 15  
Lafayette, NJ 07848

-----

Sussex Bank  
33 Main Street  
Sparta, NJ 07871

## **FINANCIAL SECTION**

# Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA  
Steven D. Wielkotz, CPA, RMA  
James J. Cerullo, CPA, RMA  
Paul J. Cuva, CPA, RMA  
Thomas M. Ferry, CPA, RMA

Certified Public Accountants  
401 Wanaque Avenue  
Pompton Lakes, New Jersey 07442  
973-835-7900  
Fax 973-835-6631

Newton Office  
100B Main Street  
Newton, N.J. 07860  
973-579-3212  
Fax 973-579-7128

## INDEPENDENT AUDITOR'S REPORT

The Honorable President and  
Members of the Board of Directors  
Sussex County Educational Services Commission  
County of Sussex  
Sparta, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund and the aggregate remaining fund information of the Sussex County Educational Services Commission, in the County of Sussex, State of New Jersey, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Sussex County Educational Services Commission management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund, and the aggregate remaining fund information of the Sussex County Educational Services Commission, in the County of Sussex, State of New Jersey, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2012 on our consideration of the Sussex County Educational Services Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.




Honorable President and  
Members of the Board of Education  
Page 2.

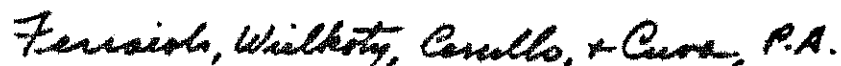
The Management Discussion and Analysis and Budgetary Comparison Information on pages 10 through 18 and 44 through 48 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Sussex County Educational Services Commission's basic financial statements. The accompanying introductory section, and other supplementary information, such as, the combining and individual fund financial statements, long-term debt schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and long-term debt schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedules of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Erin L. Dunstan  
Licensed Public School Accountant  
No. 20CS00249600



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.  
Certified Public Accountants

November 20, 2012



**REQUIRED SUPPLEMENTARY  
INFORMATION - PART I**

## SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2012 (UNAUDITED)

This section of the Sussex County Educational Services Commission's annual financial report presents its discussion and analysis of the Commission's financial performance during the fiscal year ended June 30, 2012. Please read it in conjunction with the transmittal letter at the front of this report and the Commission's financial statements, which immediately follow this section.

#### Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Commission:

- The first two statements are *district-wide* financial statements that provide both short-term and long-term information about the Commission's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Commission, reporting the Commission's operations in more detail than the district-wide statements.
- The *governmental fund* statements tell how basic services, such as regular and special education, were financed in the short-term as well as what remains for future spending.
- *Proprietary fund* statements offer short and long-term financial information about the activities the Commission operates like a business however they are not applicable to the Commission.
- *Fiduciary fund* statements provide information about the financial relationships in which the Commission acts solely as a trustee or agent for the benefit of others.
- *Notes to Financial Statements* provide additional information essential to full understanding of district-wide and fund financial statements.

The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Commission's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1**

#### Organization of Sussex County Educational Services Commission's Financial Report

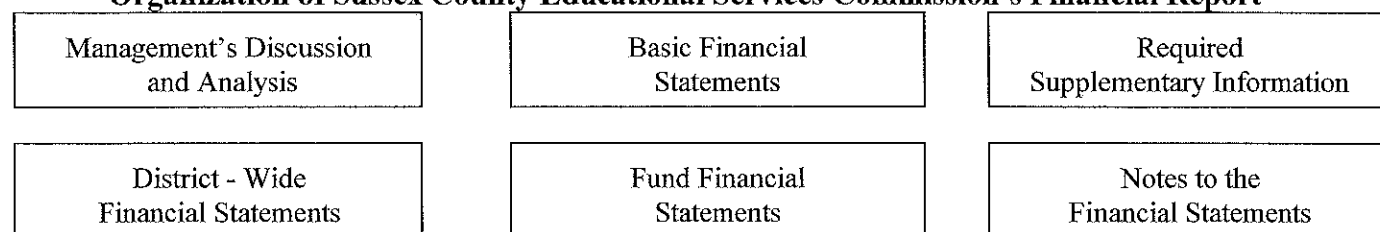


Figure A-2 summarizes the major features of the Commission's financial statements, including the portion of the Commission's activities they cover and the types of information they contain. The remainder of this overview section of the Management's Discussion and Analysis highlights the structure and contents of each of the statements.

**Figure A-2**

**Major Features of the District-Wide and Fund Financial Statements**

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds - N/A	Fiduciary Funds
Scope	Entire Commission (except fiduciary funds)	The activities of the Commission that are not proprietary or fiduciary, such as special education and building maintenance	Activities the Commission operates similar to private businesses:  Not applicable	Instances in which the Commission administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required Financial Statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenue, expenses changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **District-wide Statements**

The district-wide statements report information about the Commission as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Commission's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the Commission's net assets and how they have changed. Net assets - the difference between the Commission's assets and liabilities - is one way to measure the Commission's financial health or position.

- Over time, increases and decreases in the Commission's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Commission's overall health, you need to consider additional nonfinancial factors such as changes in the Commission's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the Commission's activities are divided into two categories:

Government Activities: Most of the Commission's basic services are included here, such as regular and special education and administration. Tuition and revenue from other local governmental units finance most of these activities.

Business-type Activities: The Commission has no business-type activities.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the Commission's funds, focusing on its most significant or 'major' funds - not the Commission as a whole. Funds are accounting devices the Commission uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The Commission establishes other funds to control and manage money for particular purposes ( such as federal repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants)

The Commission has two kinds of funds:

Governmental Funds: Most of the Commission's basic services are included in governmental funds, which generally focus on 1) how cash and other financial assets that can readily be converted to cash flow in and out; and 2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Commission's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship (or difference) between them.

**Fiduciary Funds:** The Commission is the trustee, or fiduciary, for assets that belong to others, such as the student activities fund. The Commission is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Commission excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

## Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the fund financial statements.

## Financial Analysis of the Commission as a Whole

**Net Assets.** The Commission's net assets increased \$459,330. Net assets, invested in capital assets increased \$14,664; restricted net assets decreased \$648; and unrestricted net assets increased \$445,314 through normal operations.

**Figure A-3**

### Condensed Statement of Net Assets

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Current and Other Assets	\$2,197,125	\$1,758,485
Capital Assets, Net	<u>1,672,029</u>	<u>1,716,193</u>
Total Assets	<u>3,869,154</u>	<u>3,474,678</u>
Long-term Liabilities	1,326,742	1,396,993
Other Liabilities	<u>102,242</u>	<u>96,845</u>
Total Liabilities	<u>1,428,984</u>	<u>1,493,838</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	327,166	312,502
Restricted		648
Unrestricted	<u>2,113,004</u>	<u>1,667,690</u>
Total Net Assets	<u>\$2,440,170</u>	<u>\$1,980,840</u>

**Changes in Net Assets.** The Commission's combined net assets were \$2,440,170 on June 30, 2012, \$459,330 or 23.19 % more than they were the year before. (See figure A-3). Some of the factors that contributed to this gain are as follows:

- Marginal profitability from Non Public Schools
- 31% increase in NHA tuition revenue
- 10.3% increase from services to Public Schools
- 18% increase in Teacher's Aide Revenue

**Figure A-4**

**Changes in Net Assets from Operating Results**

	<u>Governmental Activities</u>	
Revenue:	<u>2011/2012</u>	<u>2010/2011</u>
Program Revenue:		
Charges for Services	\$2,709,476	\$1,948,843
Operating Grants and Contributions	171,278	147,070
General Revenue:		
Other	<u>536,545</u>	<u>531,751</u>
Total Revenue	<u>3,417,299</u>	<u>2,627,664</u>
Expenses:		
Instruction	1,643,122	1,410,070
Pupil and Instruction Services	493,824	499,520
Administrative and Business	589,902	495,544
Maintenance and Operations	117,301	111,467
Other	<u>113,819</u>	<u>85,022</u>
Total Expenses	<u>2,957,968</u>	<u>2,601,623</u>
Increase/(Decrease) in Net Assets	<u>\$ 459,331</u>	<u>\$ 26,041</u>

**Revenue Sources.** The Commission's total revenue for the 2011/2012 school year was \$3,417,299. (See Figure A-5). Charges for services, which consists of tuition and charges for other special services provided to other local governmental units accounted for most of the Commission's revenue (79.29 %). Another 5.01% came from State and Federal aid for specific programs and the remainder from miscellaneous sources. The Sussex County Education Services Commission basically conducts its operations from the revenues it receives from its tuition and charges for services from other local governmental units.

**Figure A-5****Sources of Revenue for Fiscal Year**

	<u>2012</u>		<u>2011</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Sources of Income:				
Charges for Services	\$2,709,476	79.29%	\$1,948,843	74.17 %
Grants and Contributions	171,278	5.01%	147,070	5.60%
Other	<u>536,545</u>	<u>15.70%</u>	<u>531,751</u>	<u>20.23%</u>
	<u>\$3,417,299</u>	<u>100.00%</u>	<u>\$2,627,664</u>	<u>100.00%</u>

The total cost of all programs and services was \$ 2,957,968. The Commission's expenses are predominately related to instruction and pupil services (72.24%). (See Figure A-6). The Commission's administrative and business activities accounted for 19.43% of total costs.

**A-6****Expenses for Fiscal Year**

	<u>2012</u>		<u>2011</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Expense Category:				
Instruction	\$1,643,122	55.55%	\$1,410,070	54.20%
Pupil and Instruction Services	493,824	16.69%	499,520	19.20%
Administrative and Business	589,902	19.94%	495,544	19.05%
Maintenance and Operations	117,301	3.97%	111,467	4.28%
Other	<u>113,819</u>	<u>3.85%</u>	<u>85,022</u>	<u>3.27%</u>
	<u>\$2,957,968</u>	<u>100.00%</u>	<u>\$2,601,623</u>	<u>100.00%</u>

**Governmental Activities**

The Commission's fund balance increased considerably this year providing us with improved fiscal stability. However, providing and maintaining innovative programs and services for students with special needs places constant demands on the Commission's resources. The rising costs associated with State mandates, special education requirements, along with building/site operations remains to be a vigilant concern. Changes in State funding levels and eligible student enrollment in non-public schools also tends to be a variable that is difficult to estimate.

Figure A-7 presents the cost of five major Commission activities: instruction, pupil and instructional services, administration and business, maintenance and operations, and other miscellaneous expenses. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net earnings (costs) shows the financial resources provided by (used for) the Commission's functions.



**Figure A-7****Net Costs/(Earnings) of Governmental Activities**

	<u>Total Cost of Services</u>		<u>Net (Cost) Earnings of Services</u>	
	<u>2011/2012</u>	<u>2010/2011</u>	<u>2011/2012</u>	<u>2010/2011</u>
Instruction	\$1,643,122	\$1,410,070	\$ 1,237,631	\$ 685,843
Pupil and Instruction Services	493,824	499,520	(493,824)	(499,520)
Administrative and Business	589,902	495,544	(589,902)	(495,543)
Maintenance and Operations	117,301	111,467	(117,301)	(111,467)
Other	<u>113,819</u>	<u>85,022</u>	<u>(113,819)</u>	<u>(85,022)</u>
	<u>\$2,957,968</u>	<u>\$2,601,623</u>	<u>\$ (77,215)</u>	<u>(\$505,709)</u>

- Total costs from all governmental activities this year was \$2,957,968.
- The net costs from all governmental activities this year was \$ 77,215.
- The state and federal governments subsidized certain programs with grants and contributions (\$171,278).
- Most of the Commission's costs, however, were financed by charges for services from other local governmental units (\$2,709,476).
- The remainder of the funding came from miscellaneous revenue and investment earnings.

**Financial Analysis of the Commission's Funds**

The administration is constantly aware that changes in enrollment and cost increases can occur unexpectedly. We rely on the tuition received from providing educational programs to students with special needs from other school districts as our main source of revenue. Even with a healthy fund balance, management of our expenses remains a priority in order to reinforce our financial health.

**General Fund Budgetary Highlights**

The Commission does not receive State Aid or Property Tax Levy funding. Its primary source of revenue is the tuition paid by a student's home Board of Education. A minimal funding source is through nonpublic school subsidies for special programs from the State and Federal funds. The Commission also provides consultants to local school districts for speech therapy, social work, educational psychology, case managers, and home instruction on both long and short term basis.

During the course of the year, the Commission revises the annual operating budget several times. These budget amendments are made up of changes within budgetary line items for changes in the revenue stream affected by enrollment, types of services provided, state mandates, and levels of funding.

## Capital Asset and Debt Administration

Figure A-8

### Capital Assets (Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2011/2012</u>	<u>2010/2011</u>
Sites	\$ 230,000	\$ 230,000
Building and Building Improvements	1,367,767	1,400,664
Machinery and Equipment	<u>74,262</u>	<u>85,529</u>
Total Capital Assets	<u>\$ 1,672,029</u>	<u>\$ 1,716,193</u>

The \$44,164 decrease in capital assets is due to current year \$61,942 of depreciation and \$17,778 of additions and deletions to capital assets.

### Long Term Debt

At year-end, the Commission had \$1,344,863 remaining in a Capital Lease purchase agreement - a decrease of \$58,828 from last year. The building lease purchase agreement is a 10 year lease agreement, which requires an additional 5 years afterwards, for a total of 15 years.

Figure A-9

### Outstanding Long-term Debt

	<u>Total School District</u>	
	<u>2011/2012</u>	<u>2010/2011</u>
Capital Leases	\$1,344,863	\$1,403,691
Other Long-term	<u>51,701</u>	<u>59,100</u>
	<u>\$1,396,564</u>	<u>\$1,462,791</u>

## **Factors Bearing on the Commission's Future Revenue/Expense Changes**

The Commission is facing budgetary challenges along with its constituent school districts. However, by marketing effective and efficient instructional services to public school districts and pricing Northern Hills Academy tuition below private "for profit" institutions; SCESC retains a competitive edge for special needs education. A decision to expand programs provided by NHA and the possibility of opening an alternative High School may result in the need for additional staff, administration and space. The possibility of restructuring our loan may lead to greater fiscal returns. We continue to promote the Commission and Northern Hills Academy through our web site, interaction with other districts, along with word of mouth and have seen the change in how the SCESC is now a leader in special education.

## **Contacting the Commission's Financial Management**

This financial report is designed to provide the Commission's citizens, taxpayers, customers, investors and creditors with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Commission, 10 Gail Court, Sparta, New Jersey 07871.

## **BASIC FINANCIAL STATEMENTS**

## **DISTRICT-WIDE FINANCIAL STATEMENTS**

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION  
STATEMENT OF NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	1,953,529.19
Receivables, net	243,595.41
Capital Assets:	
Land	230,000.00
Capital assets, net	1,442,029.00
Total Assets	<u>3,869,153.60</u>
<b>LIABILITIES</b>	
Accounts payable	
Accrued interest	21,567.43
Interfund payable	2,007.86
Payable to local government	3,111.75
Deferred revenue	5,733.00
Noncurrent liabilities:	
Due within one year	69,821.69
Due beyond one year	1,326,741.97
Total liabilities	<u>1,428,983.70</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	327,166.34
Unrestricted	2,113,003.56
Total net assets	<u><u>2,440,169.90</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

Exhibit A-2

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental activities:								
Instruction:								
	Regular	264,860.35	50,117.98				(314,978.33)	(314,978.33)
	Special education	720,057.93	184,870.32	2,709,475.88	171,277.76		1,975,825.39	1,975,825.39
	Other instruction	337,162.95	86,052.33				(423,215.28)	(423,215.28)
Support services:								
	Student & instruction related services	367,194.13	126,630.29				(493,824.42)	(493,824.42)
	General administrative services	188,400.28	62,773.81				(251,174.09)	(251,174.09)
	School administrative service	64,939.47	41,271.46				(106,210.93)	(106,210.93)
	Central Services and Admin. Info. Tech.	186,679.66	45,837.47				(232,517.13)	(232,517.13)
	Plant operations and maintenance	109,935.78	7,365.51				(117,301.29)	(117,301.29)
	Special Schools	113,819.12	-				(113,819.12)	(113,819.12)
	Total governmental activities	2,353,049.67	604,919.17	2,709,475.88	171,277.76	-	(77,215.20)	(77,215.20)
Total primary government		2,353,049.67		2,709,475.88	171,277.76	-	(77,215.20)	(77,215.20)
General revenues:								
			Interest Earned				4,279.47	4,279.47
			Other Restricted Miscellaneous Revenue				496,643.26	496,643.26
			Miscellaneous Income				35,622.37	35,622.37
			Total general revenues, special items, extraordinary items and transfers				536,545.10	536,545.10
			Change in Net Assets				459,329.90	459,329.90
			Net Assets—beginning				1,980,840.00	1,980,840.00
			Net Assets—ending				2,440,169.90	2,440,169.90

## **FUND FINANCIAL STATEMENTS**



**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	1,947,796.19	5,733.00	1,953,529.19
Receivables from Local Government	243,595.41		243,595.41
Total assets	<u>2,191,391.60</u>	<u>5,733.00</u>	<u>2,197,124.60</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Interfund payable	2,007.86		2,007.86
Payable to local government	3,111.75		
Deferred revenue		5,733.00	5,733.00
Total liabilities	<u>5,119.61</u>	<u>5,733.00</u>	<u>7,740.86</u>
Fund Balances:			
Committed to:			
Other Purposes	463.58		463.58
Unassigned:			
General fund	2,185,808.41		2,185,808.41
Total fund balances	<u>2,186,271.99</u>	<u>-</u>	<u>2,186,271.99</u>
Total liabilities and fund balances	<u>2,191,391.60</u>	<u>5,733.00</u>	
Amounts reported for <i>governmental activities</i> in the statement of net assets (A-1) are different because:			
Accrued liability for interest on long-term debt is not due and payable in the current period and is not reported as a liability in the funds.			(21,567.43)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$2,347,842.00 and the accumulated depreciation is \$675,813.00.			1,672,029.00
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.			(1,396,563.66)
Net assets of governmental activities			<u>\$ 2,440,169.90</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Local sources:			
Other Local Government Units - Unrestricted	856,499.05		856,499.05
Tuition Charges	1,852,976.83		1,852,976.83
Other Restricted Miscellaneous Revenue	496,643.26		496,643.26
Unrestricted Miscellaneous Revenues	39,901.84		39,901.84
Total - Local Sources	3,246,020.98	-	3,246,020.98
State sources	141,277.76		141,277.76
Federal sources		30,000.00	30,000.00
Total revenues	3,387,298.74	30,000.00	3,417,298.74
<b>EXPENDITURES</b>			
Current:			
Regular instruction	264,860.35		264,860.35
Special education instruction	719,415.83	642.10	720,057.93
Other instruction	337,162.95		337,162.95
Support services and undistributed costs:			
Student & instruction related services	337,836.23	29,357.90	367,194.13
General administrative services	188,400.28		188,400.28
School administrative services	64,939.47		64,939.47
Central Services and Admin. Info. Tech.	186,679.66		186,679.66
Plant operations and maintenance	109,935.78		109,935.78
Unallocated employee benefits	543,844.69		543,844.69
Capital outlay	91,374.42	-	91,374.42
Special Schools	113,819.12		113,819.12
Total expenditures	2,958,268.78	30,000.00	2,988,268.78
Excess (Deficiency) of revenues over expenditures	429,029.96	-	429,029.96
<b>OTHER FINANCING SOURCES (USES)</b>			
Capital leases (non-budgeted)	7,389.67		7,389.67
Total other financing sources and uses	7,389.67	-	7,389.67
Net change in fund balances	436,419.63	-	436,419.63
Fund balance—July 1	1,749,852.36		1,749,852.36
Fund balance—June 30	2,186,271.99	-	2,186,271.99

The accompanying Notes to Financial Statements are an integral part of this statement.

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Total net change in fund balances - governmental funds (from B-2)		436,419.63
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.		
Depreciation expense	(61,942.00)	
Depreciable Capital outlay	<u>22,639.00</u>	(39,303.00)
In the statement of activities, certain operating expenses, e.g., compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		
(Increase) Decrease in compensated absences payable		7,399.00
Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.		
In the current year, these amounts consist of:		
Principal Payments on Capital Leases		66,218.50
Proceeds from debt issues are a financing source in the government funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net assets.		
Capital Lease Proceeds		(7,389.67)
In the statement of activities, only the gain on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from a sale increase financial resources. Thus, the change in net assets will differ from the change in fund balance by the cost of the asset removed.(-)		
		(4,861.00)
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The change in accrued interest is a increase in the reconciliation.		
		846.44
Change in net assets of governmental activities		<u><u>459,329.90</u></u>

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2012**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	28,911.80
Interfund Receivable	<u>2,007.86</u>
Total assets	<u>30,919.66</u>
<b>LIABILITIES</b>	
Payable to student groups	8,618.35
Payroll deductions and withholdings	<u>22,301.31</u>
Total liabilities	<u><u>30,919.66</u></u>

**The accompanying Notes to Financial Statements are an integral part of this statement.**

**NOTES TO THE BASIC  
FINANCIAL STATEMENTS**

**Sussex County Educational Services Commission  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2012**

**NOTE 1. DESCRIPTION OF THE SCHOOL COMMISSION AND REPORTING ENTITY**

The Sussex County Educational Services Commission ("Commission") is an instrumentality of the State of New Jersey, established to function as an educational institution. The Commission consists of officials appointed to the Commission's Board of Directors as representatives from member school districts and is responsible for the fiscal control of the Commission. A superintendent is appointed by the Board and is responsible for the administrative control of the Commission. Under existing statutes, the Board's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The primary criterion for including activities within the Commission's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- the organization is legally separate (can sue or be sued in their own name)
- the Board holds the corporate powers of the organization
- the Board appoints a voting majority of the organization's board
- the Board is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Board
- there is a fiscal dependency by the organization on the Board

Based on the aforementioned criteria, the Board has no component units. Furthermore, the Board is not includable in any other reporting entity on the basis of such criteria.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Board of Education of the Sussex County Educational Services Commission have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Board also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the Commission's accounting policies are described below.

**A. Basis of Presentation**

The Commission's basic financial statements consist of District-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Sussex County Educational Services Commission  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2012**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Basis of Presentation (continued)**

**District-wide Financial Statements**

The statement of net assets and the statement of activities display information about the Commission as a whole. These statements include the financial activities of the overall Commission, except for the fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the Commission at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the governmental activities of the Commission. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Commission, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Commission.

**Fund Financial Statements**

During the fiscal year, the Commission segregates transactions related to certain Commission functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the Commission's funds, including its fiduciary funds. Separate statements for each fund category - *government*, and *fiduciary* - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey Commissions to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among Commission financial reporting models. The various funds of the Commission are grouped into the categories governmental and fiduciary.

**GOVERNMENTAL FUNDS**

Governmental funds are those through which most governmental functions of the Commission are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Commission's governmental funds:

**Sussex County Educational Services Commission  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2012**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Basis of Presentation (continued)**

**GOVERNMENTAL FUNDS (continued)**

**General Fund** - The General Fund is the general operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the Capital Outlay subfund.

As required by the New Jersey State Department of Education, the Commission includes budgeted Capital Outlay in this fund. Accounting principles generally accepted in the United States of America, as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, tuition, charges to other local government units and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

**Special Revenue Fund** - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

**FIDUCIARY FUNDS**

**Fiduciary Fund** - Fiduciary Fund reporting focuses on net assets and changes in net assets. The Fiduciary Funds are used to account for assets held by the Commission on behalf of individuals, private organizations, other governments and/or other funds. Fiduciary Funds include the Student Activities Fund and the Payroll Agency Fund.

**B. Measurement Focus**

**District-wide Financial Statements**

The District-wide statements (i.e., the statement of net assets and the statement of activities) are prepared using the economic resources measurements focus and the accrual basis of accounting. All assets and liabilities associated with the operation of the Commission are included on the statement of net assets, except for fiduciary funds



**Sussex County Educational Services Commission  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2012**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Measurement Focus (continued)**

**Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the District-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**C. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The District-wide financial statements and the financial statements of the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Revenues - Exchange and Non-exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Nonexchange transactions, in which the Commission receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Commission must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Commission on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: tuition, unrestricted grants and interest.

**Sussex County Educational Services Commission  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2012**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of Accounting (continued)**

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement of focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**D. Budgets/Budgetary Control**

Annual appropriated budgets are adopted in the spring of the preceding year for the general, and special revenue funds. The budgets are submitted to the county superintendents office for approval. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23A-2(g)1. Transfers of appropriations may be made by school board resolution at any time during the fiscal year. The Commission did make material supplemental budgetary appropriations during the fiscal year for additional revenue created by tuition, also creating additional costs.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

**E. Encumbrances**

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds, other than the special revenue fund, are reported as reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

**Sussex County Educational Services Commission  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2012**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Encumbrances(continued)**

Open encumbrances in the special revenue fund, for which the Commission has received advances, are reflected in the balance sheet as deferred revenue at fiscal year end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

**F. Cash, Cash Equivalents and Investments**

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

Additionally, the Commission has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

**G. Tuition Revenues/Receivable**

Tuition charges were established by the Commission based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

**Sussex County Educational Services Commission  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2012**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**I. Short-Term Interfund Receivables/Payables**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets, except for the net residual amounts due between governmental and fiduciary funds, which are presented as internal balances.

**J. Capital Assets**

All capital assets acquired or constructed during the year are recorded at actual cost. Donated fixed assets are valued at their estimated fair market value on the date received. The capital assets acquired or constructed prior to June 30, 1993 are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Donated capital assets are valued at their estimated fair market value on the date received. The Commission maintains a capitalization threshold of \$2,000.00. The Commission does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	Governmental Activities
	<u>Estimated Lives</u>
Sites and Improvements	20 years
Building and Improvements	7-50 years
Furniture, Equipment and Vehicles	5-20 years

**Sussex County Educational Services Commission  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2012**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**K. Compensated Absences**

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Commission and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Commission and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

For the District-wide Statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the Fund Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and District-wide presentations.

**L. Deferred Revenue**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Deferred revenue in the special revenue fund represents cash that has been received but not yet earned. See Note 2(E) regarding the special revenue fund.

**M. Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgements, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds, long-term obligations, and capital leases that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

**Sussex County Educational Services Commission**  
**Notes to the Basic Financial Statements**  
**for the fiscal year ended June 30, 2012**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**N. Fund Balances:**

Fund balance is divided into five classifications based primarily on the extent to which the Board is bound to observe constraints imposed upon the resources in the governmental funds. The classifications are as follows:

- **Nonspendable** fund balance includes amounts that are not in a spendable form (inventory, for example) or are required to be maintained intact (the principal of an endowment fund, for example).
- **Restricted** fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers (for example, grant providers), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be changed or lifted only with the consent of resource providers.
- **Committed** fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the Board's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.
- **Assigned** fund balance comprises amounts *intended* to be used by the Commission for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- **Unassigned** fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the general fund.

**Sussex County Educational Services Commission**  
**Notes to the Basic Financial Statements**  
**for the fiscal year ended June 30, 2012**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**O. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Commission applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**P. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Commission and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

**Q. Allocation of Indirect Expenses**

The Commission reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. TPAF on-behalf contributions and changes in compensating absences have not been allocated and have been reported as unallocated benefits on the Statement of Activities. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities as unallocated depreciation. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

**R. Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Sussex County Educational Services Commission  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2012**

**NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

**Cash**

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Commission's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 18A:20-37 that are treated as cash equivalents. As of June 30, 2012, \$-0- of the Commission's bank balance of \$2,031,571.47 was exposed to custodial credit risk.

**Investments**

**Investment Rate Risk**

The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 18A:20-37 limits the length of time for most investments to 397 days.

**Credit Risk**

New Jersey Statutes 18A:20-37 limit school district investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America; bonds or other obligations of the school districts or bonds or other obligations of the local unit or units within which the school district is located; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

**Concentration of Credit Risk**

The Commission places no limit on the amount the Commission may invest in any one issuer.



**Sussex County Educational Services Commission**  
**Notes to the Basic Financial Statements**  
**for the fiscal year ended June 30, 2012**

**NOTE 4. RECEIVABLES**

Receivables at June 30, 2012 consisted of accounts and intergovernmental. All receivables are considered collectible in full. A summary of the principal items of receivables follows:

	Governmental <u>Fund</u>	District Wide Financial <u>Statements</u>
State Aid	\$ -	\$ -
Federal Aid	-	-
Other	<u>243,595.41</u>	<u>243,595.41</u>
Gross Receivables		
Less: Allowances for Uncollectables	<u>-</u>	<u>-</u>
Total Receivables Net	<u><u>\$243,595.41</u></u>	<u><u>\$243,595.41</u></u>

**NOTE 5. INTERFUND BALANCES AND ACTIVITY**

Balance due to/from other funds at June 30, 2012 consists of the following:

Due to Payroll Fund from the General Fund for cash receipts and disbursements in the General Fund.	<u>\$2,007.86</u>
--	-------------------

It is anticipated that all interfunds will be liquidated within the fiscal year.

**Sussex County Educational Services Commission**  
**Notes to the Basic Financial Statements**  
**for the fiscal year ended June 30, 2012**

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	<u>Balance</u> <u>06/30/11</u>	<u>Additions</u>	<u>Deduction</u>	<u>Adjustments</u>	<u>Balance</u> <u>06/30/12</u>
Governmental Activities:					
Capital Assets,					
Not being depreciated:					
Sites (Land)	230,000.00	0.00	0.00	0.00	230,000.00
Construction in Progress	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Capital Assets,					
Not Being Depreciated:	<u>230,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>230,000.00</u>
Capital Assets, being depreciated:					
Building and					
Improvements	1,919,585.00	17,180.00	0.00	0.00	1,936,765.00
Furniture, Equipment					0.00
And Vehicles	<u>184,259.00</u>	<u>5,459.00</u>	<u>(8,641.00)</u>	<u>0.00</u>	<u>181,077.00</u>
Total Capital Assets					
Being Depreciated	<u>2,103,844.00</u>	<u>22,639.00</u>	<u>(8,641.00)</u>	<u>0.00</u>	<u>2,117,842.00</u>
Less: Accumulated Depreciation:					
Building and					
Improvements	(518,921.00)	(50,077.00)	0.00	0.00	(568,998.00)
Furniture, Equipment					
and Vehicles	<u>(98,730.00)</u>	<u>(11,865.00)</u>	<u>3,780.00</u>	<u>0.00</u>	<u>(106,815.00)</u>
Total Accumulated Depreciation	(617,651.00)	(61,942.00)	3,780.00	0.00	(675,813.00)
Total Capital Assets					
Being Depreciated, Net	<u>1,486,193.00</u>	<u>(39,303.00)</u>	<u>(4,861.00)</u>	<u>0.00</u>	<u>1,442,029.00</u>
Governmental Activities					
Capital Assets, Net	<u>1,716,193.00</u>	<u>(39,303.00)</u>	<u>(4,861.00)</u>	<u>0.00</u>	<u>1,672,029.00</u>

Depreciation expense was charged to functions as follows:

Instruction:

Special Education Instruction	\$26,016.00
Student and Instruction Related Services	15,310.00
School Administrative Services	12,838.00
General Administrative Services	6,302.00
Plant Operations and Maintenance	603.00
Central Services & Admin. Info. Tech	<u>873.00</u>

Total Depreciation Expense \$61,942.00

**Sussex County Educational Services Commission**  
**Notes to the Basic Financial Statements**  
**for the fiscal year ended June 30, 2012**

**NOTE 7. LONG-TERM OBLIGATION ACTIVITY**

Changes in long-term obligations for the fiscal year ended June 30, 2012 were as follows:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due Within</u> <u>One Year</u>	<u>Long Term</u> <u>Portion</u>
Compensated Absences Payable	59,100.00	16,737.00	(24,136.00)	51,701.00	-	51,701.00
Capital Leases	<u>1,403,691.49</u>	<u>7,389.67</u>	<u>(66,218.50)</u>	<u>1,344,862.66</u>	<u>69,821.69</u>	<u>1,275,040.97</u>
	<u>1,462,791.49</u>	<u>24,126.67</u>	<u>(90,254.50)</u>	<u>1,396,563.66</u>	<u>69,821.69</u>	<u>1,326,741.97</u>

**A. Bonds Authorized but not Issued**

As of June 30, 2012, the Commission had no debt authorized but not issued.

**B. Capital Leases Payable**

On October 26, 2007, pursuant to N.J.S.A. 18A:20-4.2(f), the Sussex County Educational Services Commission (the "Lessee") entered into a school building lease purchase agreement with Commerce Commercial Leasing, LLC (the "Lessor") to finance the expansion of the Northern Hills Academy, including the acquisition of furnishings and equipment. The building is located on land owned by the Commission that has been leased to Commerce Commercial Leasing, LLC pursuant to a ground lease agreement dated October 26, 2007.

Under the lease, the Commission is required to pay Basic Rent due on each March 15 and September 15, commencing February 1, 2008. Basic rent is composed of an interest component and a principal component. The Certificates carry an interest rate of 3.9% and the Certificates mature on February 1, 2018. Payment of principal of and interest on the Certificates is not insured. Commerce Bank, National Association has been appointed to serve as Trustee in the agreement.

The Commission is also leasing a copier under a capital lease. The term of the lease is for 5 years. The following is a schedule of the future minimum lease payments and the present value of the net minimum lease payments at June 30, 2012.

**Sussex County Educational Services Commission**  
**Notes to the Basic Financial Statements**  
**for the fiscal year ended June 30, 2012**

**NOTE 7. LONG-TERM OBLIGATION ACTIVITY (continued)**

**B. Capital Leases Payable (continued)**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 69,821.69	\$ 52,106.04	\$ 121,927.73
2014	72,731.00	49,196.72	121,927.72
2015	71,259.69	46,268.04	117,527.73
2016	73,201.83	43,445.89	116,647.72
2017	75,546.08	40,521.64	116,067.72
2018	<u>982,302.37</u>	<u>37,562.91</u>	<u>1,019,865.28</u>
Total minimum lease payments	<u>\$1,344,862.66</u>	<u>\$269,101.24</u>	<u>\$1,613,963.90</u>

**C. Compensated Absences Payable:**

The liability for compensated absences of the governmental fund types is recorded as a long-term liability. There is no current portion of the compensated absences balance of the governmental funds in the current year. The long-term portion of compensated absences is \$51,701.00 for Governmental Activities.

Compensated absences payable will be liquidated by the General Fund.

**NOTE 8. PENSION PLANS**

**Description of Plans** - Substantially all employees of the District are covered by either the Public Employees' Retirement System (PERS), the Teachers' Pension and Annuity Fund (TPAF) or the Defined Contribution Retirement Program (DCRP), which have been established by state statute. PERS and TPAF are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or reports can be accessed on the Internet at: <http://www.state.nj.us/treasury/pensions/annrptsarchive.htm>. Prudential Financial jointly administers the DCRP investments with the New Jersey Division of Pensions and Benefits. As a general rule, all full-time employees are eligible to join the TPAF or the PERS. However, if an employee is ineligible to enroll in the TPAF or PERS, the employee may be eligible to enroll in DCRP.

**Sussex County Educational Services Commission**  
**Notes to the Basic Financial Statements**  
**for the fiscal year ended June 30, 2012**

**NOTE 8. PENSION PLANS (continued)**

**Teachers' Pension and Annuity Fund (TPAF)** - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Commission and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

**Public Employees' Retirement System (PERS)** - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

**Defined Contribution Retirement Plan (DCRP)** - The Defined Contribution Retirement Program was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The program provides eligible members with a tax-sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

**Contribution Requirements** - The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by the State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% of PERS and 5.5% for TPAF of the employee's annual compensation. Pursuant to the provisions of Chapter 78, P.L. 2011, this amount will increase to 6.5% plus an additional 1% phased in over 7 years beginning in the first year. For fiscal year 2012, the member rate will increase in October 2011. This phase in will take place on July 1 of each subsequent fiscal year. Employers are required to contribute at an actuarially determined rate in all Funds except SACT. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and TPAF. In the PERS and TPAF, the employer contribution includes funding for post-retirement medical premiums. Employee contributions for DCRP are based on 5.50% of employee's annual compensation and are matched by a 3% employer contribution.

During the year ended June 30, 2012 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost equals annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost differs from the annual required contribution due to the enactment of Chapter 114, P.L. 1997. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Commission. PERS employer contributions are made annually by the Commission to the pension system in accordance with Chapter 114, P.L. 1997.

**Sussex County Educational Services Commission**  
**Notes to the Basic Financial Statements**  
**for the fiscal year ended June 30, 2012**

**NOTE 8. PENSION PLANS (continued)**

The Board's contribution to PERS, equal to the required contributions for each year, were as follows:

Year Ending

6/30/12	\$40,335.00
6/30/11	50,168.00
6/30/10	37,985.29

The State of New Jersey contribution to TPAF (paid on-behalf of the Commission) for normal and post retirement benefits were as follows:

<u>Year Ending</u>	<u>Pension Contributions</u>	<u>Post-Retirement Medical Contributions</u>	<u>NCGI Premium</u>
6/30/12	\$22,724.00	\$50,583.00	\$2,439.00
6/30/11	-	70,159.00	3,303.00
6/30/10	-	67,203.00	3,578.00

During the year ended June 30, 2012, the State of New Jersey contributed \$75,746.00 to the TPAF for pension contributions, NCGI premium contributions and post retirement medical benefits on behalf of the Commission. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$65,531.76 during the year ended June 30, 2012 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the district-wide financial statements, and the fund-based statements as revenues and expenditures in accordance with GASB 24.

The Board did not make any contributions to the DCRP for the years ended June 30, 2012, 2011 or 2010.

**NOTE 9. POST-RETIREMENT BENEFITS**

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2011, there were 93,323 retirees eligible for post-retirement medical benefits and the State contributed \$935.5 million on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994 Chapter 62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

**Sussex County Educational Services Commission  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2012**

**NOTE 9. POST-RETIREMENT BENEFITS (continued)**

The State is also responsible for the cost attributable to P.L. 1992 Chapter 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. In fiscal year 2011, the State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members.

**NOTE 10. DEFERRED COMPENSATION**

The Commission offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plan, which is administered by Equitable, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency.

**NOTE 11. RISK MANAGEMENT**

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has obtained insurance coverage to guard against these events to minimize the exposure to the District should they occur.

**Property and Liability Insurance** - The Commission maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage.

The Commission has elected to fund its New Jersey Unemployment Compensation Insurance by becoming experience rated in which the Commission pays State unemployment taxes according to the same method the State uses for other employers.

**NOTE 12. FUND BALANCE APPROPRIATED**

**General Fund [Exhibit B-1]** - Of the \$2,186,271.99 General Fund fund balance at June 30, 2012, \$463.58 is reserved for encumbrances and \$2,185,808.41 is unreserved and undesignated.

**NOTE 13. ECONOMIC DEPENDENCY**

The Commission receives a substantial amount of its support from tuition and fees from other local governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Commission's services and activities.

**Sussex County Educational Services Commission**  
**Notes to the Basic Financial Statements**  
**for the fiscal year ended June 30, 2012**

**NOTE 14. CONTINGENT LIABILITIES**

Grant Programs - The school district participates in federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Commission is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation - Counsel has advised us that they are unaware of any material pending or threatened litigation, claims or assessments.



**REQUIRED SUPPLEMENTARY STATEMENTS  
PART II**

## **BUDGETARY COMPARISON SCHEDULE**

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources:					
Local Government Units - Unrestricted	254,312.00	569,597.00	823,909.00	856,499.05	32,590.05
Tuition	1,425,971.00	(71,359.00)	1,354,612.00	1,852,976.83	498,364.83
Other Restricted Miscellaneous Revenue		502,394.00	502,394.00	496,643.26	(5,750.74)
Unrestricted Miscellaneous Revenues	16,200.00	13,500.00	29,700.00	39,901.84	10,201.84
Total - Local Sources	1,696,483.00	1,014,132.00	2,710,615.00	3,246,020.98	535,405.98
State Sources:					
On-behalf TPAF NCGI Premium (non-budgeted)			-	2,439.00	2,439.00
On-behalf TPAF Post Retirement Medical (non-budgeted)			-	50,583.00	50,583.00
On-behalf TPAF Pension Contributions (non-budgeted)			-	22,724.00	22,724.00
TPAF Social Security (Reimbursed - Non-Budgeted)			-	65,531.76	65,531.76
Total State Sources	-	-	-	141,277.76	141,277.76
Total Revenues	1,696,483.00	1,014,132.00	2,710,615.00	3,387,298.74	676,683.74
<b>EXPENDITURES:</b>					
Current Expense:					
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	25,145.00	94,154.00	119,299.00	119,212.77	86.23
Purchased Professional-Educational Services	-	145,650.00	145,650.00	145,647.58	2.42
TOTAL REGULAR PROGRAMS - INSTRUCTION	25,145.00	239,804.00	264,949.00	264,860.35	88.65
<b>SPECIAL EDUCATION - INSTRUCTION</b>					
Multiple Disabilities:					
Salaries of Teachers	350,000.00	31,625.00	381,625.00	381,622.33	2.67
Other Salaries for Instruction	215,231.00	120,535.00	335,766.00	310,764.18	25,001.82
Other Purchased Services	18,800.00	3,800.00	22,600.00	22,598.80	1.20
General Supplies	7,000.00	(1,000.00)	6,000.00	4,430.52	1,569.48
Total Multiple Disabilities	591,031.00	154,960.00	745,991.00	719,415.83	26,575.17
TOTAL SPECIAL EDUCATION - INSTRUCTION	591,031.00	154,960.00	745,991.00	719,415.83	26,575.17
Other Instructional Programs - Instruction					
Salaries	-	306,590.00	306,590.00	209,797.48	96,792.52
Purchased Services (300-500 Series)	-	126,515.00	126,515.00	122,301.50	4,213.50
Supplies and Materials	568.84	9,645.00	10,213.84	5,063.97	5,149.87
Other Objects	-	1,250.00	1,250.00	-	1,250.00
Total Other Instructional Programs - Instruction	568.84	444,000.00	444,568.84	337,162.95	107,405.89
Total Instruction	616,744.84	838,764.00	1,455,508.84	1,321,439.13	134,069.71
Undistributed Expenditures - Health Services					
Salaries	59,240.00	8,500.00	67,740.00	67,739.14	0.86
Purchased Professional and Technical Services	400.00	-	400.00	-	400.00
Supplies and Materials	4,200.00	-	4,200.00	4,118.44	81.56
Total Undistributed Expenditures - Health Services	63,840.00	8,500.00	72,340.00	71,857.58	482.42
Undist. Expend.-Speech, OT, PT & Related Services					
Salaries	116,330.00	82,481.00	198,811.00	198,810.17	0.83
Supplies and Materials	1,000.00	-	1,000.00	692.78	307.22
Total Undist. Expend.-Speech, OT, PT & Related Services	117,330.00	82,481.00	199,811.00	199,502.95	308.05
Undist. Expend.- Other Supp. Serv. Students - Extra. Serv.					
Purchased Professional- Educational Services	45,600.00	-	45,600.00	31,805.00	13,795.00
Supplies and Materials	2,000.00	-	2,000.00	849.45	1,150.55
Total Undist. Expend.- Other Supp. Serv. Students - Extra Serv.	47,600.00	-	47,600.00	32,654.45	13,795.00
Undist. Expend.-Child Study Team					
Other Salaries	130,000.00	(130,000.00)	-	-	-
Purchased Professional - Educational Services	49,555.00	(815.00)	48,740.00	29,007.50	19,732.50
Supplies and Materials	1,000.00	-	1,000.00	-	1,000.00
Total Undist. Expend.-Child Study Team	180,555.00	(130,815.00)	49,740.00	29,007.50	20,732.50
Undist. Expend. - Instructional Staff Training Serv.					
Other Purchased Services (400-500 series)	4,000.00	815.00	4,815.00	4,813.75	1.25
Total Undist. Expend. - Instructional Staff Training Serv.	4,000.00	815.00	4,815.00	4,813.75	1.25

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Supp. Serv. - General Admin.					
Salaries	113,658.00	11,182.00	124,840.00	124,839.65	0.35
Legal Services	12,000.00	5,205.00	17,205.00	17,205.00	-
Audit Fees	12,000.00	-	12,000.00	12,000.00	-
Other Purchased Professional Services	4,000.00	-	4,000.00	3,956.00	44.00
Communications/Telephone	20,460.00	(8,064.00)	12,396.00	11,895.46	500.54
BOE Other Purchased Services	250.00	-	250.00	-	250.00
Misc. Purchased Services (400-500 series)	9,000.00	(7,500.00)	1,500.00	296.35	1,203.65
General Supplies	3,000.00	4,601.05	7,601.05	7,478.30	122.75
BOE In-House Training/Meeting Supplies	250.00	-	250.00	75.41	174.59
Miscellaneous Expenditures	4,500.00	7,500.00	12,000.00	10,654.11	1,345.89
Total Undist. Expend. - Supp. Serv. - General Admin.	179,118.00	12,924.05	192,042.05	188,400.28	3,641.77
Undist. Expend. - Support Serv. - School Admin.					
Salaries of Principals/Assistant Principals	25,000.00	(1,043.00)	23,957.00	6,501.59	17,455.41
Salaries of Secretarial and Clerical Assistants	56,000.00	607.00	56,607.00	56,606.18	0.82
Other Purchased Services (400-500 series)	1,950.00	(950.00)	1,000.00	-	1,000.00
Supplies and Materials	2,500.00	-	2,500.00	1,731.70	768.30
Other Objects	-	950.00	950.00	100.00	850.00
Total Undist. Expend. - Support Serv. - School Admin.	85,450.00	(436.00)	85,014.00	64,939.47	20,074.53
Undist. Expend. - Central Services					
Salaries	87,000.00	20,436.00	107,436.00	107,435.92	0.08
Purchased Technical Services	-	3,610.00	3,610.00	3,610.00	-
Misc. Purchased Services (400-500 Series)	-	1,000.00	1,000.00	-	1,000.00
Supplies and Materials	3,579.39	300.00	3,879.39	2,778.67	1,100.72
Interest on Lease Purchase Agreements	58,124.00	(3,891.89)	54,232.11	53,561.97	670.14
Miscellaneous Expenditures	4,975.00	(1,300.00)	3,675.00	780.00	2,895.00
Total Undist. Expend. - Central Services	153,678.39	20,154.11	173,832.50	168,166.56	5,665.94
Undist. Expend. - Admin. Info. Tech.					
Purchased Technical Services	22,300.00	-	22,300.00	18,513.10	3,786.90
Total Undist. Expend. - Admin. Info. Tech.	22,300.00	-	22,300.00	18,513.10	3,786.90
Undist. Expend. - Required Maint. School Facilities					
Cleaning, Repair, and Maintenance Services	12,000.00	-	12,000.00	3,851.53	8,148.47
Total Undist. Expend. - Required Maint. School Facilities	12,000.00	-	12,000.00	3,851.53	8,148.47
Undist. Expend. - Custodial Services					
Salaries	18,210.00	88.00	18,298.00	18,297.44	0.56
Purchased Professional and Technical Services	32,350.00	(3,930.00)	28,420.00	15,879.85	12,540.15
Cleaning, Repair, and Maintenance Services	8,750.00	-	8,750.00	8,719.50	30.50
Rental of Land & Bldg. Oth. Than Lease Purchase Agrmt	2,200.00	(2,200.00)	-	-	-
Other Purchased Property Services	-	2,432.00	2,432.00	2,098.78	333.22
Insurance	28,000.00	-	28,000.00	27,335.00	665.00
General Supplies	6,250.00	(1,250.00)	5,000.00	4,587.93	412.07
Energy (Electricity)	36,000.00	-	36,000.00	28,290.50	7,709.50
Other Objects	-	1,250.00	1,250.00	875.25	374.75
Total Undist. Expend. - Custodial Services	131,760.00	(3,610.00)	128,150.00	106,084.25	22,065.75
Total Undist. Expend. - Oper. & Maint. Plant Services	143,760.00	(3,610.00)	140,150.00	109,935.78	30,214.22
ALLOCATED BENEFITS:					
Regular Programs - Instruction - Employee Benefits:					
Health Benefits	-	26,870.00	26,870.00	26,869.15	0.85
Total Regular Programs - Instruction	-	26,870.00	26,870.00	26,869.15	0.85
Other Instructional Programs - Instruction - Employee Benefits					
Health Benefits	-	27,111.00	27,111.00	1,000.00	26,111.00
Total Other Instructional Programs - Instruction	-	27,111.00	27,111.00	1,000.00	26,111.00
TOTAL ALLOCATED BENEFITS	-	53,981.00	53,981.00	27,869.15	26,111.85
UNALLOCATED BENEFITS					
Social Security Contributions	42,000.00	20,145.00	62,145.00	62,144.91	0.09
Other Retirement Contributions - PERS	51,000.00	-	51,000.00	40,335.00	10,665.00
Unemployment Compensation	10,000.00	-	10,000.00	8,622.46	1,377.54
Health Benefits	204,695.00	56,992.00	261,687.00	261,686.10	0.90
Tuition Reimbursement	6,000.00	-	6,000.00	1,909.31	4,090.69
TOTAL UNALLOCATED BENEFITS	313,695.00	77,137.00	390,832.00	374,697.78	16,134.22
On-behalf TPAF NCGI Premium (non-budgeted)	-	-	-	2,439.00	(2,439.00)
On-behalf TPAF Post Retirement Medical (non-budgeted)	-	-	-	50,583.00	(50,583.00)
On-behalf TPAF Pension Contributions (non-budgeted)	-	-	-	22,724.00	(22,724.00)
Reimbursed TPAF Social Security Contributions (non-budgeted)	-	-	-	65,531.76	(65,531.76)
TOTAL ON-BEHALF CONTRIBUTIONS	-	-	-	141,277.76	(141,277.76)
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	313,695.00	131,118.00	444,813.00	543,844.69	(99,031.69)
TOTAL UNDISTRIBUTED EXPENDITURES	1,311,326.39	121,131.16	1,432,457.55	1,431,636.11	(329.11)
TOTAL GENERAL CURRENT EXPENSE	1,928,071.23	959,895.16	2,887,966.39	2,753,075.24	134,891.15

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>CAPITAL OUTLAY</b>					
Equipment					
Undistributed Expend. - General Administration	1,000.00	4,790.15	5,790.15	5,459.00	331.15
Total Equipment	1,000.00	4,790.15	5,790.15	5,459.00	331.15
Facilities Acquisition and Construction Services					
Construction Services	1,000.00	16,180.80	17,180.80	17,180.00	0.80
Lease Purchase Agreements - Principal	57,000.00	4,345.89	61,345.89	61,345.75	0.14
Total Facilities Acquisition and Construction Services	58,000.00	20,526.69	78,526.69	78,525.75	0.94
Assets Acquired Under Capital Leases (non-budgeted)					
School Administration Services				7,389.67	(7,389.67)
<b>TOTAL CAPITAL OUTLAY</b>	<b>59,000.00</b>	<b>25,316.84</b>	<b>84,316.84</b>	<b>91,374.42</b>	<b>(7,057.58)</b>
<b>SPECIAL SCHOOLS:</b>					
Summer School - Instruction:					
Salaries of Teachers	51,445.00	6,175.00	57,620.00	57,615.24	4.76
Other Salaries for Instruction	19,250.00	13,300.00	32,550.00	32,541.83	8.17
Purchased Professional and Technical Services	16,000.00	(16,000.00)			-
Other Purchased Services	3,500.00	-	3,500.00	2,328.71	1,171.29
Total Summer School Instruction	90,195.00	3,475.00	93,670.00	92,485.78	1,184.22
Summer School - Support Services					
Salaries	-	9,445.00	9,445.00	9,214.59	230.41
Purchased Professional and Technical Services	-	16,000.00	16,000.00	12,118.75	3,881.25
Total Summer School - Support Services	-	25,445.00	25,445.00	21,333.34	4,111.66
<b>TOTAL SUMMER SCHOOL</b>	<b>90,195.00</b>	<b>28,920.00</b>	<b>119,115.00</b>	<b>113,819.12</b>	<b>5,295.88</b>
<b>TOTAL EXPENDITURES</b>	<b>2,077,266.23</b>	<b>1,014,132.00</b>	<b>3,091,398.23</b>	<b>2,958,268.78</b>	<b>133,129.45</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(380,783.23)	-	(380,783.23)	429,029.96	809,813.19
Other Financing Sources (uses):					
Capital Leases (non-budgeted)	-	-	-	7,389.67	(7,389.67)
Total Other Financing Sources:	-	-	-	7,389.67	(7,389.67)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(380,783.23)	-	(380,783.23)	436,419.63	817,202.86
Fund Balance, July 1	1,749,852.36		1,749,852.36	1,749,852.36	
Fund Balance, June 30	1,369,069.13	-	1,369,069.13	2,186,271.99	817,202.86
Recapitulation of excess (deficiency) of revenues under expenditures:					
Adjustment for Prior Year Encumbrances	(648.23)		(648.23)	(648.23)	
Budgeted Fund Balance	(380,135.00)		(380,135.00)	437,067.86	817,202.86
	(380,783.23)	-	(380,783.23)	436,419.63	817,202.86
Recapitulation:					
Committed Fund Balance:					
Year End Encumbrances				463.58	
Unassigned Fund Balance				2,185,808.41	
				2,186,271.99	
Fund Balance per Governmental Funds (GAAP)				2,186,271.99	

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Transfers/ Adjustments	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Federal Sources	20,000.00	10,000.00	30,000.00	30,000.00	
Total Revenues	20,000.00	10,000.00	30,000.00	30,000.00	-
EXPENDITURES:					
Instruction		642.10	642.10	642.10	-
General Supplies	-	642.10	642.10	642.10	-
Total Instruction					
Support Services	20,000.00	9,357.90	29,357.90	29,357.90	-
Other purchased Services	20,000.00	9,357.90	29,357.90	29,357.90	-
Total Support Services					
Total Expenditures	20,000.00	10,000.00	30,000.00	30,000.00	-
Total Outflows	20,000.00	10,000.00	30,000.00	30,000.00	-
Excess (Deficiency) of Revenues Over (Under)					
Expenditures and Other Financing Sources (Uses)					

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**BUDGET - TO - GAAP RECONCILIATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Note A - Explanation of difference between budgetary inflows and outflows and GAAP revenues and expenditures.**

		General Fund	Special Revenue Fund
<b>Sources/inflows of resources</b>			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1]&[C-2]	<u>3,387,298.74</u>	<u>30,000.00</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - government funds.	[B-2]	<u>3,387,298.74</u>	<u>30,000.00</u>
<b>Uses/outflows of resources</b>			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]&[C-2]	<u>2,958,268.78</u>	<u>30,000.00</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - government funds.	[B-2]	<u>2,958,268.78</u>	<u>30,000.00</u>

**OTHER SUPPLEMENTARY INFORMATION**



Exhibit E-1

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<b>Rural Education Achievement Program</b>	<b>Total</b>
<b>REVENUES:</b>		
Federal sources	30,000.00	30,000.00
<b>Total Revenues</b>	<u>30,000.00</u>	<u>30,000.00</u>
<b>EXPENDITURES:</b>		
<b>Instruction:</b>		
General Supplies	642.10	642.10
<b>Total instruction</b>	<u>642.10</u>	<u>642.10</u>
<b>Support Services:</b>		
Other Purchased Services (400-500) Series	29,357.90	29,357.90
<b>Total support services</b>	<u>29,357.90</u>	<u>29,357.90</u>
<b>Total Expenditures</b>	<u>30,000.00</u>	<u>30,000.00</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

ASSETS

	<u>Agency Funds</u>		
	<u>Student Activity</u>	<u>Payroll</u>	<u>Totals</u>
ASSETS:			
Cash and cash equivalents	8,618.35	20,293.45	28,911.80
Interfund Receivable		2,007.86	2,007.86
Total Assets	<u>8,618.35</u>	<u>22,301.31</u>	<u>30,919.66</u>

LIABILITIES AND NET ASSETS

LIABILITIES:			
Payroll Deductions		22,301.31	22,301.31
Due to student groups	<u>8,618.35</u>		<u>8,618.35</u>
Total liabilities	<u>8,618.35</u>	<u>22,301.31</u>	<u>30,919.66</u>

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION**  
**STUDENT ACTIVITY AGENCY FUND**  
**SCHEDULE OF RECEIPTS AND DISBURSEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Balance</u> <u>July 1, 2011</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2012</u>
Student Fundraiser Account	3,577.12	185.07	3,762.19	-
Student Activity Account	<u>1,319.55</u>	<u>10,370.39</u>	<u>3,071.59</u>	<u>8,618.35</u>
Total all schools	<u><u>4,896.67</u></u>	<u><u>10,555.46</u></u>	<u><u>6,833.78</u></u>	<u><u>8,618.35</u></u>

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Balance July 1, 2011</u>	<u>Cash Receipts</u>	<u>Cash Disbursed</u>	<u>Balance June 30, 2012</u>
Interfund Receivable -				
General Fund	2,005.69	86.81	84.64	2,007.86
Payroll deductions and withholdings	<u>16,196.31</u>	<u>1,856,427.60</u>	<u>1,850,322.60</u>	<u>22,301.31</u>
Total	<u><u>20,207.69</u></u>	<u><u>1,856,601.22</u></u>	<u><u>1,850,491.88</u></u>	<u><u>26,317.03</u></u>

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION**  
**GENERAL LONG TERM DEBT ACCOUNT GROUP**  
**STATEMENT OF OBLIGATIONS UNDER CAPITAL LEASES**  
**AS OF JUNE 30, 2012**

	Interest Rate Payables	Amount of Original Issue	Balance July 1, 2011	Additions Current Year	Retired Current Year	Balance June 30, 2012
2007 Building Improvement & Addition	3.90%	1,600,000.00	1,388,573.81		61,345.75	1,327,228.06
Savin Copier 9050SP w/ Accessories	N/A	22,586.11	15,117.68		4,872.75	10,244.93
Savin Copier 9240SP w/ Accessories	N/A	7,389.67		7,389.67		7,389.67
			<u>1,403,691.49</u>	<u>7,389.67</u>	<u>66,218.50</u>	<u>1,344,862.66</u>

## **STATISTICAL SECTION**

## **OUTLINE OF NJ DOE STATISTICAL TABLES SECTION (GASB 44)**

Exhibit #

### **Financial Trends Information/Schedules**

J-1	Net Assets by Component
J-2	Changes in Net Assets
J-3	Fund Balances-Governmental Funds
J-4	Changes in Fund Balances, Governmental Funds
J-5	General Fund Other Local Revenue by Source

### **Revenue Capacity Information**

J-6	Assessed Value and Estimated Actual Value of Taxable Property
J-7	Direct and Overlapping Property Tax Rates
J-8	Principal Property Taxpayers (Current year and nine years ago)
J-9	Property Tax Levies and Collections

### **Debt Capacity Information**

J-10	Ratios or Outstanding Debt by Type
J-11	Ratios of General Bonded Debt Outstanding
J-12	Direct and Overlapping Governmental Activities Debt
J-13	Legal Debt Margin Information

### **Demographic and Economic Information**

J-14	Demographic and Economic Statistics
J-15	Principal Employers, Current and Nine Years Ago

### **Operating Information**

J-16	Full-time Equivalent District Employees by Function/Program
J-17	Operating Statistics
J-18	School Building Information
J-19	Schedule of Allowable Maintenance Expenditures by School
J-20	Insurance Schedule

## SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION

	Net Assets by Component, Last Ten Fiscal Years (*) (accrual basis of accounting)									
	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012		
Governmental activities										
Invested in capital assets, net of related debt	590,203	638,806	689,135	927,035	917,959	926,109	312,502	327,166		
Reserved	125,010	105,855	101,585	31,804	2,524	1,021	648			
Unreserved	1,122,298	1,302,150	1,618,074	1,712,888	1,776,921	1,642,690	1,667,690	2,113,004		
Total governmental activities net assets	1,837,511	2,046,811	2,408,794	2,671,727	2,697,404	2,569,820	1,980,840	2,440,170		
District-wide										
Invested in capital assets, net of related debt	590,203	638,806	689,135	927,035	917,959	926,109	312,502	327,166		
Restricted	125,010	105,855	101,585	31,804	2,524	1,021	648			
Unrestricted	1,122,298	1,302,150	1,618,074	1,712,888	1,776,921	1,642,690	1,667,690	2,113,004		
Total district net assets	1,837,511	2,046,811	2,408,794	2,671,727	2,697,404	2,569,820	1,980,840	2,440,170		

Source: CAFR Schedule A-1

(\*) GASB requires that ten years of statistical data be presented. However, since fiscal year 2005 was the first year of GASB 34 implementation ten years is not presented. Each year, thereafter, an additional year's data will be included until ten years of data is presented



## SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION

Changes in Net Assets, Last Ten Fiscal Years (\*)  
(accrual basis of accounting)

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>								
Governmental activities								
Instruction								
Regular		46,491	13,762	81,649	40,500	50,207	175,495	314,978
Special education	721,029	737,163	605,302	664,721	728,881	671,505	726,857	904,928
Other special instruction	817,782	787,315	859,427	1,028,212	1,073,236	669,535	507,718	423,215
Other instruction								
Support Services:								
Student & instruction related services	232,168	315,645	452,270	349,637	327,554	327,238	499,520	493,824
General administrative services	168,744	166,949	200,590	123,476	114,200	281,133	203,432	251,174
School administrative services	147,947	163,175	173,800	197,460	279,774	176,263	100,527	106,211
Central Services				120,673	119,124	139,139	191,584	232,517
Administrative information technology	78,917	90,690	105,138	17,045	10,855	-		
Plant operations and maintenance	73,248	81,533	79,950	89,759	108,957	119,397	111,467	117,301
Capital outlay	12,669	17,016	9,453	13,458			1,583	
Special schools	85,627	94,519	96,574	104,338	91,047	118,709	83,439	113,819
Total governmental activities expenses	2,338,131	2,500,497	2,566,266	2,790,428	2,894,128	2,551,124	2,801,622	2,957,969
<b>Program Revenues</b>								
Governmental activities:								
Charges for services:								
Instruction	1,540,150	1,582,066	1,584,681	1,807,457	1,689,030	1,750,045	2,095,914	2,880,754
Student & instruction related services	232,370	317,872	484,754	356,114	300,252			
School administrative services	148,076	164,326	186,283	125,763	256,454			
General administrative services	168,891	168,127	236,434	201,118	104,681			
Central services				122,908	109,195			
Administrative information technology	78,986	91,330	112,689	17,361	9,950			
Plant operations and maintenance	73,312	82,108	85,692	91,422	99,875			
Capital outlay	12,680	17,136	10,132	13,707				
Special schools	85,701	95,186	103,510	106,271	83,458			
Operating grants and contributions	82,674	97,088	147,251	171,950	172,649			
Total governmental activities program revenues	2,422,840	2,615,229	2,951,426	3,014,071	2,825,544	1,750,045	2,095,914	2,880,754
<b>Net (Expense)/Revenue</b>								
Governmental activities	84,709	114,732	355,160	223,643	(68,584)	(801,079)	(505,709)	(77,215)
Total district-wide net expense	84,709	114,732	355,160	223,643	(68,584)	(801,079)	(505,709)	(77,215)
<b>General Revenues and Other Changes in Net Assets</b>								
Governmental activities:								
Investment earnings	16,643	27,092	24,597	26,788	23,589	19,199	11,670	4,279
Miscellaneous income	4,700	67,476	2,226	12,502	70,672	658,569	520,081	532,266
Total governmental activities	21,343	94,568	26,823	39,290	94,261	677,768	531,751	536,545
<b>Change in Net Assets</b>								
Governmental activities	106,052	209,300	381,983	262,933	25,677	(123,311)	26,042	459,330

Source: CAFR Schedule A-2

(\*) GASB requires that ten years of statistical data be presented. However, since fiscal year 2005 was the first year of GASB 34 implementation ten years is not presented. Each year, thereafter, an additional year's data will be included until ten years of data is presented

## SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION

**Fund Balances, Governmental Funds,  
Last Ten Fiscal Years (\*)**  
*(modified accrual basis of accounting)*

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
General Fund								
Reserved	125,010	105,855	101,585	31,804	2,524	1,021		
Unreserved	1,168,511	1,348,961	1,665,786	1,797,638	1,857,887	1,717,682		
Committed							648	464
Unassigned							1,749,204	2,185,808
Total general fund	<u>1,293,521</u>	<u>1,454,816</u>	<u>1,767,371</u>	<u>1,829,442</u>	<u>1,860,411</u>	<u>1,718,703</u>	<u>1,749,852</u>	<u>2,186,272</u>

Source: CAFR Schedule B-1

(\*) GASB requires that ten years of statistical data be presented. However, since fiscal year 2005 was the first year of GASB 34 implementation ten years is not presented. Each year, thereafter, an additional year's data will be included until ten years of data is presented

## SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION

Changes in Fund Balances, Governmental Funds,  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012		
<b>Revenues</b>										
Tuition charges	\$ 893,293	\$ 944,483	\$ 976,325	\$ 1,264,720	\$ 1,184,153	\$ 1,196,258	\$ 1,226,483	\$ 1,852,977		
Other local government units	1,446,873	1,573,659	1,827,850	1,577,401	1,468,742	397,780	722,361	886,499		
Miscellaneous	21,343	94,568	26,823	39,290	94,261	677,768	531,751	536,545		
State sources	72,409	90,943	141,837	152,684	138,536	133,227	127,070	141,278		
Federal sources	10,265	6,144	5,414	19,266	34,113	22,780	20,000	30,000		
Total revenue	2,444,183	2,709,797	2,978,249	3,053,361	2,919,805	2,427,813	2,627,665	3,417,299		
<b>Expenditures</b>										
Instruction										
Regular instruction		46,491	13,762	63,534	27,589	43,613	172,285	264,860		
Special education instruction	511,100	513,789	501,819	503,253	564,686	526,193	555,577	720,058		
Other special instruction	817,782	787,316	858,427	828,801	850,631	525,242	400,081	337,163		
Support Services:										
Student & instruction related services	170,077	232,133	261,554	270,291	276,078	256,525	404,678	367,194		
General administrative services	144,112	141,131	164,280	164,090	250,486	217,093	154,399	188,400		
School Administrative services	100,502	110,948	107,779	98,599	88,612	127,889	63,973	64,939		
Central Services	99,690	103,913	85,766	91,966	110,261	118,640	153,804	186,680		
Admin. Information Technology				17,045	10,855					
Plant operations and maintenance	70,245	78,368	75,690	87,083	106,026	109,030	105,028	109,936		
Allocated and unallocated benefits	299,861	347,878	412,569	472,845	455,280	466,804	442,646	543,845		
Special schools	85,627	92,016	86,474	104,338	91,047	116,709	83,439	113,819		
Capital outlay	85,812	94,519	96,574	289,445	57,285	80,297	60,605	91,374		
Total expenditures	2,384,808	2,548,502	2,665,694	2,991,290	2,888,836	2,587,834	2,596,515	2,988,269		
Excess (Deficiency) of revenues over (under) expenditures	59,375	161,295	312,555	62,071	30,969	(160,021)	31,149	429,030		
<b>Other Financing sources (uses)</b>										
Capital leases (non-budgeted)						22,586		7,390		
Total other financing sources (uses)						22,586		7,390		
Net change in fund balances	\$ 59,375	\$ 161,295	\$ 312,555	\$ 62,071	\$ 30,969	\$ (137,435)	\$ 31,149	\$ 436,420		
Debt service as a percentage of noncapital expenditures	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%		

Source: District Records

Note: Noncapital expenditures are total expenditures less capital outlay.

Central Services and Administrative Information Technology account classifications were added beginning with year end June 30, 2005.

Prior to June 30, 2005, Central Services and Administrative Information Technology were combined in Other Support Services as Business and Other Support Services.

Exhibit J-5

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION

General Fund - Other Local Revenue by Source  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

Fiscal Year Ended June 30,	Interest on Investments	Other Local		Tuition	Misc.	Total
		Government	Units			
2003	20,580	1,134,588		878,525	4,464	2,038,157
2004	12,613	1,353,061		867,723	15,759	2,249,156
2005	16,643	1,446,873		893,293	4,700	2,361,509
2006	27,092	1,573,659		944,483	67,476	2,612,710
2007	24,597	1,827,850		976,325	2,226	2,830,998
2008	26,788	1,854,389		998,781	1,453	2,881,411
2009	23,589	1,468,742		1,184,153	70,672	2,747,156
2010	19,199	397,780		1,196,258	658,569	2,271,805
2011	11,670	722,361		1,226,483	520,081	2,480,594
2012	4,279	856,499		1,852,977	532,266	3,246,021

Source: District Records

## SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION

## Full-time Equivalent District Employees by Function/Program,

## Last Ten Fiscal Years

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Instruction								
Special education	5.5	5.5	5.5	5.5	5.5	5.5	5.5	7.0
Other special education	22.0	22.0	22.0	22.0	22.0	22.0	22.0	32.0
Support Services:								
Tuition								
Student & instruction related services	7.5	7.5	7.5	7.5	7.5	7.5	7.5	5.5
School administrative services	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.0
Business and other support services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	2.5
Plant operations and maintenance	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Total	<u>41.0</u>	<u>41.0</u>	<u>41.0</u>	<u>41.0</u>	<u>41.0</u>	<u>41.0</u>	<u>41.0</u>	<u>51.5</u>

(\*) GASB requires that ten years of statistical data be presented. However, since fiscal year 2005 was the first year of GASB 34 implementation ten years is not presented. Each year, thereafter, an additional year's data will be included until ten years of data is presented

Source: District Personnel Records

## SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION

## Operating Statistics

## Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Pupil/Teacher Ratio					Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
				Percentage Change	Teaching Staff <sup>b</sup>	Northern Hills						
2005	23	2,298,996	99,956	14.05%	8.5	23:5		22.6	19.7	0.88%	85.65%	
2006	22	2,453,983	111,545	11.59%	8.5	22:5		21.6	18.8	-4.42%	85.45%	
2007	21	2,569,120	122,339	9.68%	8.5	21:5		21.6	18.8	0.00%	89.52%	
2008	22	2,701,845	122,811	0.39%	8.5	22:5		21.6	18.7	0.00%	85.00%	
2009	21	2,831,551	134,836	9.79%	8.5	21:5		20.5	18.0	-5.09%	85.71%	
2010	23	2,507,537	109,023	-19.14%	8.5	23:6		21.0	18.3	0.02%	87.32%	
2011	24	2,535,910	105,663	-3.08%	8.5	24:6		23.6	21.1	12.38%	87.91%	
2012	32	2,896,894	90,528	-14.32%	11	3:1		33.6	30.1	42.37%	94.06%	

(\*) GASB requires that ten years of statistical data be presented. However, since fiscal year 2006 was the first year of GASB 34 implementation ten years is not presented. Each year, thereafter, an additional year's data will be included until ten years of data is presented

**Sources:** District records

**Note:** Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay
- b Teaching staff includes only full-time equivalents of certificated staff
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

## SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION

## School Building Information

## Last Ten Fiscal Years

<u>District Building</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Northern Hills Academy (1994)								
Square Feet	7,100	7,100	7,100	7,100	11,091	11,091	11,091	11,091
Capacity (students)	32	32	32	32	72	60	60	37
Enrollment	23	22	21	22	21	23	24	37

Number of Schools at June 30, 2012

Other = 1

(\*) GASB requires that ten years of statistical data be presented. However, since fiscal year 2006 was the first year of GASB 34 implementation ten years is not presented. Each year, thereafter, an additional year's data will be included until ten years of data is presented

**Source:** District records.

**Note:** Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of additions. Enrollment is based on the annual October district count.

## SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION

GENERAL FUND  
SCHEDULE OF ALLOWABLE MAINTENANCE EXPENDITURES BY SCHOOL FACILITY  
LAST EIGHT FISCAL YEARS  
UNAUDITED

UNDISTRIBUTED EXPENDITURES - REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
11-000-261-XXX

School Facilities*	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
--------------------	------	------	------	------	------	------	------	------	------	------

Northern Hills Academy	3,852	-	3,704	4,458	1,768	1,169	2,928	1,723	18,618	25,158
------------------------	-------	---	-------	-------	-------	-------	-------	-------	--------	--------

92 (\*) School facilities as defined under EFCFA.  
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

(\*) GASB requires that ten years of statistical data be presented. However, since fiscal year 2006 was the first year of GASB 34 implementation ten years is not presented. Each year, thereafter, an additional year's data will be included until ten years of data is presented

Source: District Records



## SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION

INSURANCE SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
Commercial Package Policy Building & Contents	\$ 2,560,000	\$ 1,000
New Jersey School Boards Association Insurance Group (NJSBAIG)		
Casualty Coverage General Liability and Auto Liability (NJSBAIG)	16,000,000	
School Board Legal Liability: Coverage A (NJSBAIG)	6,000,000	5,000
School Board Legal Liability: Coverage B (NJSBAIG)	100,000 / 300,000	
Public Official's Bond - Selective Insurance Company		
Treasurer of School Monies	150,000	
School Business Administrator / Commission Secretary	150,000	
Workers' Compensation (NJSBAIG):	As per State Statue	

**SINGLE AUDIT SECTION**

# Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA  
Steven D. Wielkotz, CPA, RMA  
James J. Cerullo, CPA, RMA  
Paul J. Cuva, CPA, RMA  
Thomas M. Ferry, CPA, RMA

Certified Public Accountants  
401 Wanaque Avenue  
Pompton Lakes, New Jersey 07442  
973-835-7900  
Fax 973-835-6631

Newton Office  
100B Main Street  
Newton, N.J. 07860  
973-579-3212  
Fax 973-579-7128

K-1  
Page 1 of 2

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable President and  
Members of the Board of Directors  
Sussex County Educational Services Commission  
County of Sussex  
Sparta, New Jersey

We have audited the financial statements of the governmental activities and each major fund of the Sussex County Educational Services Commission in the County of Sussex, State of New Jersey as of and for the fiscal year ended June 30, 2012, which collectively comprise the basic financial statements of the Sussex County Educational Services Commission and have issued our report thereon dated November 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

### **Internal Control Over Financial Reporting**

Management of the Sussex County Educational Services Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Sussex County Educational Services Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sussex County Educational Services Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sussex County Educational Services Commission's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.



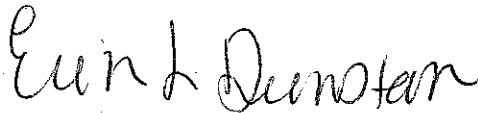
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Sussex County Educational Services Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

However, we noted certain matters that we reported to the Board of Education of the Sussex County Educational Services Commission in a separate report entitled, *Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance* dated November 20, 2012.

This report is intended solely for the information of management, the Sussex County Educational Services Commission, the New Jersey State Department of Education, and other federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Erin L. Dunstan  
Licensed Public School Accountant  
No. 20CS00249600



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.  
Certified Public Accountants

November 20, 2012

Sussex County Educational Services Commission  
Schedule of Expenditures of Federal Awards  
for the Fiscal Year Ending June 30, 2012

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period From / To	June 30, 2011		Cash Received	Budgetary Expenditures	Adjustments	June 30, 2012		MEMO Cumulative Total Expenditure
					Deferred Revenue (Accts. Receivable)	Due to Grantor				Deferred Revenue (Accts. Receivable)	Due to Grantor	
U.S. Department of Education Passed - through State Department of Education:												
Special Revenue Fund:												
Rural Education Achievement Program	84.358B	S355A116039	20,000.00	7/1/10 - 6/30/11			20,000.00	20,000.00				20,000.00
Rural Education Achievement Program	84.358B	S355A126039	20,000.00	7/1/11 - 6/30/12			10,000.00	10,000.00				10,000.00
USDA WHIP Grant		N/A	1,600.00	7/1/07 - 6/30/08	(466.00)				466.00			1,600.00
					(466.00)		30,000.00	30,000.00	466.00			31,600.00
Total Special Revenue Fund												
							30,000.00	30,000.00	466.00			31,600.00
Total Federal Financial Awards												

The accompanying notes to Schedules of Expenditures of awards and Financial Assistance are an integral part of this schedule.

**Sussex County Educational Services Commission**  
**Schedule of Expenditures of State Financial Assistance**  
**for the Fiscal Year Ending June 30, 2012**

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From / To	Balance at June 30, 2011		Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Prior Years' Balances	Balance June 30, 2012 (Accounts Receivable)	Due to Grantor	MEMO	
				Deferred Revenue (Accts Receivable)	Due to Grantor							Budgetary Reimbursable	Cumulative Total Expenditures
<b>State Department of Education:</b>													
<b>General Fund:</b>													
Reimbursed T.P.A.F. - Social Security	11-495-034-5095-002	53,603.40	7/1/10 - 6/30/11	(10,480.78)			10,480.78	65,531.76		(10,480.78)			53,603.40
Reimbursed T.P.A.F. - Social Security	12-495-034-5095-002	65,531.76	7/1/11 - 6/30/12				65,531.76						65,531.76
On-behalf T.P.A.F. -													
Post Retirement Medical	12-495-034-5095-001	50,593.00	7/1/11 - 6/30/12				50,593.00	50,593.00					70,159.00
Pension	12-495-034-5095-006	22,724.00	7/1/11 - 6/30/12				22,724.00	22,724.00					3,303.00
Non-contributory Insurance	12-495-034-5095-007	2,458.00	7/1/11 - 6/30/12				2,458.00	2,458.00					192,602.16
<b>Total General Fund</b>				(10,480.78)			151,755.54	141,277.76		(10,480.78)			
<b>Special Revenue Fund:</b>													
New Jersey SSI Grant	N/A	5,000.00	7/1/07 - 6/30/08	(1,500.00)					1,500.00				5,000.00
<b>Total Special Revenue Fund</b>				(1,500.00)					1,500.00				5,000.00
<b>Total State Financial Assistance</b>				(11,980.78)			151,755.54	141,277.76	1,500.00	(10,480.78)			197,602.16

**NOTE 1. GENERAL**

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance include the activity of all Federal and State Award programs of the Sussex County Educational Services Commission. The Commission is defined in Note 1 to the Commission's financial statements. All Federal and State Awards received directly from federal and state agencies, as well as Federal Awards and State Awards passed through other government agencies is included on the Schedule of Expenditures of Federal Awards and State Financial Assistance.

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying Schedules of Expenditures of Awards and Financial Assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. This basis of accounting is described in Notes 1 to the Commission's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments and Non-Profit Organizations*, therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

**NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to N.J.S.A.18A:22-44.2. For GAAP purposes, payments are not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget year, consistent with N.J.S.A.18A:22-44.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$-0- for the general fund and \$-0- for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Commission's financial statements on a GAAP basis as follows:

**NOTE 3. RELATIONSHIP TO FINANCIAL STATEMENTS (continued)**

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$	\$141,277.76	\$141,277.76
Special Revenue Fund	<u>30,000.00</u>	<u>                    </u>	<u>30,000.00</u>
Total Financial Awards	<u>\$30,000.00</u>	<u>\$141,277.76</u>	<u>\$171,277.26</u>

**NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal awards and state financial reports.

**NOTE 5. OTHER**

The amounts reported as TPAF Pension Contributions represents the amount paid by the State on behalf of the Commission for the year ended June 30, 2012. The amount reported as TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2012.



**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

***Section I - Summary of Auditor's Results***

**Financial Statements**

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- 1) Material weakness(es) identified?        yes   X   no
- 2) Significant deficiencies identified?        yes   X   none reported

Noncompliance material to basic financial  
statements noted?        yes   X   no

**Federal Awards**

NOT APPLICABLE

**State Awards**

NOT APPLICABLE

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(continued)**

*Section II - Schedule of Financial Statement Findings*

NONE

*Section III - Federal Awards and State Financial Assistance Findings and Questioned Costs*

NONE

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Status of Prior Year Findings**

N/A